

Strategic Committee on Postsecondary Education Minutes August 13, 2002

The Strategic Committee on Postsecondary Education met August 13, 2002, at 2 p.m. in 149 Capitol Annex.

Members present: Mr. Baker, Mr. Barger, Mr. Barrows, Ms. Helm, Ms. Luallen, Ms. Miller, Mr. Moberly, Ms. Moore, Mr. Owen, Governor Patton, Mr. Ramsey, Mr. Rose, Mr. Richards, Mr. Sanders, Mr. Stivers, Mr. Turner, and Mr. Williams. Members absent: Mr. Boswell, Mr. DeWeese, Mr. Ford, Mr. Hall, Mr. Hoover, Mr. Kareem, Mr. Kelly, Mr. Neal, Mr. Stumbo, and Mr. Whitehead. Ms. Adams, the new chair of the Council on Postsecondary Education, chaired the SCOPE meeting.

Ms. Adams expressed her appreciation to Mr. Whitehead for chairing SCOPE for the past three years and recognized two new SCOPE members -- Steve Barger who replaced Lois Weinberg, and Charlie Owen who replaced Shirley Menendez. Sue Hodges Moore, the council's interim president, was also recognized.

The minutes of the November 15, 2001, meeting were approved as presented.

Ms. Moore updated the committee on the progress being made towards postsecondary education's reform goals.

The public agenda for Kentucky's postsecondary education system is organized around five questions: 1) Are more Kentuckians prepared for postsecondary education? 2) Are more students enrolling? 3) Are more students advancing through the system? 4) Are more Kentuckians prepared for life and work? 5) Are Kentucky's communities and economy benefiting?

Forty-two performance indicators related to the five questions are tracked on a regular basis. In cooperation with a number of stakeholders, last year the council established goals for 2002 for many of these indicators and in March 2002, for the first time, measured progress toward these goals. A progress report can be found at www.cpe.state.ky.us/KeyInd/index.asp.

The council has adopted an on-line system and currently uses a traffic light scheme: a green light signifies "on track" to meet the goals in 2002; a yellow light means "some progress" has been made but not sufficient for the trajectory to meet the 2002 goal, if there is not some intervention between now and next year; and a red light means "no progress." To date, the council has assessed progress on 20 indicators. The results: 12 green lights, seven yellow lights, and one red light.

Are more Kentuckians prepared for postsecondary education? **In the preparation of high school students**, the number of high school students that are enrolled in college credit courses has increased dramatically since 1998 -- from 84 per 1,000 students in 1998 to 125 per 1,000 students in 2001. As a result, the 2002 goal has already been exceeded.

In the preparation of adults, 50,000 Kentuckians were enrolled in adult education programs in 2000. The goal for this year was 75,000 and from all indications that goal will be exceeded. The 2004 goal is 100,000 and the 2010 goal is 300,000.

The Kentucky Virtual University and the adult education community have just rolled out a Web site for adult educators' professional development as well as for students wanting to take adult education courses. Some 1,100 students are taking some type of course or training and over 300 adult educators are using this Web site.

Are more students enrolling? The original target for undergraduate enrollment was an additional 80,000 students in the system by the year 2020 in order to bring Kentucky to the national average in college going and educational attainment rates. By fall 2001, an additional 23,600 students had enrolled – about a 15 percent increase since 1998. Of these over 23,000 new students, nearly 18,000 are KCTCS students. The council and the KCTCS project that of the total 80,000 new students expected in the system, over 50,000 of those will come from the KCTCS. Of the 23,000 growth, 2,200 of those new students are at the independent institutions. The public institutions together have exceeded the 2002 enrollment goals by over 3,000 students.

Ms. Moore thanked the presidents, faculties, and staff of the institutions for the hard work done in bringing more Kentuckians into the postsecondary system. The additional 23,000 students is a remarkable accomplishment.

Graduate and professional enrollment. The council has set goals for graduate and professional enrollment for the first time -- to bring an additional 3,000 students into the system by 2006. All the public institutions are expected to have increases, but significant increases are projected at NKU and EKU.

In spring 2002, 7,700 students were enrolled in postsecondary courses in the Virtual University - a long way from that initial fall 1999 semester enrollment of 300 students.

Are more students advancing through the system? One important aspect of this indicator focuses on transfer rates. The number of students transferring from the community and technical colleges to the four-year institutions in Kentucky is increasing.

Graduation rates. The six-year graduation rate for the system has increased from 36.7 percent to 44.1 percent. Six of the institutions have already exceeded their 2002 goals.

Ms. Miller asked what percentage of the 7,700 students enrolled in the Virtual University was already enrolled at another institution. Is the 7,700 a course enrollment number or headcount?

Daniel Rabuzzi indicated that the 7,700 number is an unduplicated headcount, meaning that some students may be taking more than one course. The majority of those students may be taking a course to fill in for their off-line work -- in other words, the majority of those remaining students who otherwise would matriculate on a campus. About 1,300 of those students are coming through the new adult education and Education Professional Standards Board initiatives. Those are not students who are associated right now with a traditional campus. He also indicated that the majority of KYVU students are enrolled at one of the public institutions.

Ms. Miller asked how many full baccalaureate degree programs are offered on the KYVU. Mr. Rabuzzi responded 10-12 baccalaureate degrees are currently being offered through the KYVU.

Mr. Williams expressed concern about the preparation of high school students and the average ACT score. He inquired about requirements under the Kentucky Education Reform Act (KERA)

for high school students who complete ACT core coursework and about what is being done to increase those numbers.

Ms. Moore replied that the percentage of students taking the ACT will increase significantly in a few years because the council's minimum admission requirements, the Pre-College Curriculum (PCC), will kick in for the entering class of 2004. This includes two years of foreign language that aligns with the ACT core. The ACT has identified an ACT core -- a curriculum of four years of English, three or four years of mathematics, social sciences, and history.

Mr. Williams asked if other states are making more progress in requiring a core curriculum than is Kentucky and if it is fair to compare Kentucky students to other students if there are different core curricula. Ms. Adams (a former member of the P-16 Council) responded that both the postsecondary education community and the P-16 Council are working on aligning programs and, when that happens, better results will be seen on ACT scores.

Ms. Helm added that some students taking the ACT are making last minute decisions to do so and have not adequately prepared. Thus, they are not achieving their potential.

Mr. Moberly added that the ACT is used by universities to determine remedial classes for students. However, different standards are used at different institutions as to which students have to be remediated. He inquired when action by the council and the state school board to start aligning the curriculum should be expected.

Ms. Moore replied that Kentucky is one of five states, along with several national organizations, seriously reviewing the alignment issue by participating in the American Diploma Project. One of the questions to be answered over the next year will be whether there should be one curriculum in high school. If the high school graduation requirements line up with the PCC, everyone coming out of high school, regardless of whether they go to a four-year institution or the KCTCS, will have had the more rigorous curriculum. Public forums involving legislators and other state policy leaders are expected in the fall. Recommendations could be ready as early as the spring semester.

Regarding remedial education, Kentucky has a statewide standard of 18 on the ACT, but institutions can go above that if they have selective admissions. The council is in the process of putting together a student feedback report to see if the most recent high school graduates are making progress on remediation.

Mr. Baker reported on the council's presidential search process. In June, the chair of the council appointed a presidential search screening committee. Seven members of the council and Northern Kentucky University President Jim Votruba, representing the university presidents, make up this committee. The committee met and issued a request for proposals from search firms across the nation -- nine responded.

Representatives from four agencies were interviewed and one was unanimously recommended to the full council -- A.T. Kearney of Washington, D.C., with Jan Greenwood as its lead staff person. Ms. Greenwood, in her search capacity, has brought to Kentucky the presidents of NKU, UofL, UK, and ECU. Ms. Greenwood has engaged extensively in discussions with the search committee and with the full council. She is in the process now of discussions with legislative leaders.

An advertisement will soon be placed in the Chronicle of Higher Education. Final closure on applications will be September 20. It is hoped that names and resumes will be reviewed by the screening committee by the first of October. From that group, a smaller group will be identified and interviewed by the screening committee. By end of October, it is expected that a limited number of finalists will be identified and brought to the council in early November. The council will then conduct interviews and decide on its next president.

Mr. Rose indicated his appreciation for the emphasis on adult education, early childhood, and the professional standards board in the advertisement for the position of council president.

Mr. Ramsey updated SCOPE on the national and state economies. [This was a PowerPoint presentation.]

Kentucky's economy had an 18-year uninterrupted period of economic growth starting in 1983 through November 2000. Kentucky was in a national recession in 1981-82 and lost over 50,000 jobs. Inflation was high at that time, too.

Employment in Kentucky has generally been stable. But there have been key job losses in certain important sectors of the economy -- primarily manufacturing, transportation, services, communications, and some job loss in public utilities.

Kentucky is a manufacturing state and has a larger share of its employment in manufacturing than the nation as a whole. The current recession started as a manufacturing recession and when manufacturing jobs are lost, the best paying jobs are lost. Although manufacturing jobs have been lost, jobs in the services -- retail trade and wholesale trade have increased. During this most recent economic period, neither Kentucky nor the nation has experienced inflation. There has been price stability. Inflation rates and interest rates are very low and the construction industry has held up better during this current downturn than during the recession of 20 years ago.

The income and earnings pattern going back to mid- and late 2000 shows the first thing that was lost was overtime. After the loss of overtime, there was a reduction in the workweek. The workweek is about 38 hours per week now, down from a high of a little over 40 hours per week. Companies are also eliminating bonus payments. This statistic masks what's going on in the economy because a person is still working but not at the same income levels so they are not paying the same taxes and they are not at the same consumption level. There have been some layoffs and some plant closings. The major point is that Kentucky has had job stability during this period of time but with a shift from higher paying jobs to lower paying jobs. This is evidenced in terms of the tax structure and in revenues collected.

In the recession of 1981-1982, while Kentucky lost nearly 50,000 jobs there was also rapid price inflation. Also, during that period, state revenues were still going up but not as rapidly as they had previously. By contrast, in 2002 the Commonwealth actually took in less general fund revenue than was taken in during the prior year -- the first time that has happened in nearly 50 years.

The other issue being faced during this current recession is a data problem. Most states, like Kentucky, use national forecasting services to help predict or forecast what is or will happen in the national economy. Our current forecasting service DRI (Data Resources, Inc.) is widely used. DRI, like all national forecasting services, uses federal data in its econometric and statistical models. What has been seen over the last several years is a series of constant, dramatic

revisions in federal data that adds a level of complexity in understanding what's really going on in the economy and, therefore, predicting what's going to happen in the future.

Budget shortfalls in 2002 resulted in a very difficult year for all states. Some revenue shortfalls were experienced in 2001 but the brunt of them occurred in 2002.

As Kentucky's budget issues were confronted, certain principles were followed: 1) adhering to the budget reduction plan as approved by the General Assembly; 2) exempting education from cuts, to the degree possible; 3) avoiding layoffs; and 4) continuing to authorize capital projects. Many states during this period cancelled, deferred, or totally withdrew funding from a capital investment program. Kentucky, however, has tried to maximize program savings and efficiencies, and tried to avoid cuts in program services and capital projects to the maximum degree possible.

The Empower Kentucky program, an effort to look at how things are done in state government and re-engineer state processes, continues to be very successful. We also continue to implement various financial efficiencies. One example is to refinance our existing debt if at all possible. Also, under Secretary Luallen's continued leadership, the cabinets have strived to implement a wide array of management efficiencies – restrictions on overtime payments as an example. The difference in overtime spending for last year versus the year before was about \$20 million less.

Kentucky's budget shortfall in 2002 was \$687 million. A lot of one-time money was used to balance the budget. Program cuts represented a fairly small amount of the \$687 million. Last year the budget was balanced without making any cuts in K-12 education, and postsecondary education had only minor reductions. The general fund base cut was 1.9 percent for higher education -- an average using the benchmark funding approach -- so for some institutions it was a little more and for others it was a little less. Maintenance and operations that had been budgeted for projects that might not have been completed in that fiscal year was captured. But the M&O will be there for those facilities when they do come on line.

Some intergovernmental transfers with the two medical schools – UofL and UK – took place. Those were difficult transactions but the federal government, through Medicaid, paid for some things in the medical schools that the general fund had been paying for. The rest of state government, on average, had five or six percent cuts.

The next steps are to continue discussions with business leaders, review the estimating process and econometric models, continue subscribing to DRI and subscribe to a second forecasting service (economy.com.), review first quarter receipts, isolate the impacts of amnesty, and then convene the Consensus Forecasting Group.

Mr. Sanders asked what amount would be required in the general fund carry forward in order to balance in 2003. Mr. Ramsey replied that 5.8 percent general fund revenue growth would be required to have a balanced budget in 2003.

Mr. Sanders asked if retirements were having a significant impact on the budget. Ms. Luallen replied there has been a strong increase in retirements and that development actually saved money in the long term because those people were on the high end of the pay scale. On the other hand, the short-term impact is that many of those people have a lot of accrued time (sick and compensatory) that had not been budgeted. So some agencies are having a difficult time balancing that. The net impact really has depended on the size and scale of the agency's budget.

Mr. Bob Sexton, executive director of the Prichard Committee and a member of the Governor's Institute on Effective Governance (IEG).

The IEG is designed to provide appropriate and improved training and education for institutional trustees and regents. A consultant was hired and has been in contact with presidents, trustees/regents, and postsecondary education leaders around the country to determine what to put together in the program.

In addition, other states were also studied. A working group including among others, Jim Votruba, Bob Kustra, and Jay McGowan was formed. Advice from the presidents, through the council of presidents, was sought. An oversight committee made up of former members of institutional boards and presidents was created. Most importantly, 26 members of current boards (mainly chairs and vice chairs) were brought into various discussions.

Many board members believe there is much to be gained from clarifying the appropriate role of the individual board member and the board as a collective body in relating to the institutional president. Specific issues of concern include how to maintain the balance between necessary support and the need for oversight including constructive questioning and criticism, how to identify and respect the line between setting policy and interfering with management, and how to develop effective means for evaluating the president on a regular basis.

The plan for this year is to be conservative. An orientation for new board members will be conducted at the council's trusteeship conference in September. Specific topics like the new Governmental Accounting Standards Board (GASB) requirements that all the institutions are moving toward will be a heavy part of the orientation at the conference. A case method for training the board members will be used. Those cases are being written by the Association of Governing Boards staff and others. Aims McGuinness from NCHEMS, who did some of the original work on HB 1, will be at the conference to conduct a workshop on effective board participation, and several experienced board members will also be involved.

Mr. Votruba, representing Lee Todd, convener of the council of presidents, addressed the committee.

In general, the presidents are very optimistic and pleased with the direction in which this new board orientation program and board effectiveness initiative is going.

On many campuses, growth as a revenue strategy, marginal growth, and targeted growth where adjustments have to be made are being reviewed. The presidents are looking at promoting things like summer session that can be very entrepreneurial, evening and weekend programs, intersession programs, and other things which create revenue streams that can result in incentives for departments to get more actively involved. Controlling costs is being seriously reviewed. Some programs have been added but some programs were deleted because of low enrollments. Classroom utilization is also under review. Campuses have almost had a 9 percent increase in classroom space around marginal growth – being able to manage classroom size and classroom seats in a way that would not have been focused on with such intensity without this budget problem.

The presidents will continue to look at tuition as the state budget picture unfolds. Enrollments are again at record levels. Retention, transfers from two- to four-year campuses, graduation

rates, and research productivity are all up. All the campuses have expanded access through more evening and weekend programs, more distance education programs, more Internet-based courses and programs, as well as support services through the Internet. The campuses are more involved in advancing economic development and quality of life than at anytime in our history.

Educational partnerships are up. All campuses are involved in working with P-12 education in one form or another. There are more partnerships with business and industry, healthcare, agriculture, financial services, and not-for-profit institutions. There are more joint programs, more cooperation between the research-intensive universities and the comprehensive universities, and more cooperation between the universities and the two-year community and technical colleges.

Student bodies as well as faculties and staffs are today more diverse and international than they were in 1997. Dozens of new programs have been added to support the needs of the state in its various geographic regions and dozens of programs have been eliminated because of low enrollments.

Private funding is at unprecedented levels thanks to the state's matching fund programs.

It is important to emphasize that the presidents are united in supporting the spirit of HB 1 and the leadership of the Council on Postsecondary Education. Occasionally, there are disagreements with the council and among the presidents – that is the nature of the process. Last fall, some of the presidents took exception to the recommendation to fund campus growth prospectively rather than funding growth that had already been achieved. One can argue that it ought to be incentive funded prospectively or that the way to encourage growth is to fund growth that has already been achieved. Both positions are consistent with spirit of HB 1. These sorts of disagreements will occur. But these debates over strategy should not be considered as a lack of support for the vision or for the council itself.

It has occasionally been suggested that the universities are not capable of moving beyond their own individual self-interest. Earlier this spring every president supported the extension of the endowment match program's matching funds deadline by six months, even though those who had fully matched their allocation could claim a portion of the unmatched funds from the other institutions. The presidents chose to act for the good of the whole and that is an encouraging sign.

Some points that are important on all of our campuses: First, the momentum of the last five years cannot be allowed to stall. Reform is taking root, but it's still fragile and Kentucky is competing with states that have had long years of strong public support for postsecondary education. Ground has been gained, but it is ground that can be easily lost.

Second, even in a tight budget scenario, funding must continue to be a top priority. Without continued base funding through the benchmark process, or some other approach, growth will inevitably be slowed. The community colleges and technical colleges are experiencing enormous growth as are several of the universities. That growth cannot be sustained by tuition alone. It requires base funding support from the state.

Third, a continuation of Bucks for Brains matching funds is absolutely critical to Kentucky's future. Currently, there are donors committed to major gifts in participation of a third cycle of matching funds. The lack of certainty regarding the next round is causing some of these commitments to soften. Economic uncertainty has made fund raising much more difficult and

private donors are looking at commitments that have been made but not finalized. The matching funds are needed, in the presidents' judgement, now more than ever.

Fourth, it is important that the search for a new CPE president proceed expeditiously. The presidents have communicated their interest in being involved in the selection process and are involved. The presidents are also ready to be actively engaged in recruiting the next president by underscoring that Kentucky remains a place where reform continues.

Fifth, times are tough and everyone must share in the burden. Kentucky sent a strong message in the last fiscal year by holding the postsecondary education unharmed, until no other options were available. That example makes it easier to lead the campuses during times of enormous uncertainty and to plan for various economic scenarios with the understanding that everything possible will be done to protect that progress.

Sixth, Kentucky's future will be defined not only by progress in postsecondary education, but also by progress in advancing early childhood, P-12, and adult education. Exciting new initiatives are occurring on each campus to strengthen the ties with the other education sectors and those efforts are paying off.

Mr. Moberly referenced the November 15, 2001, SCOPE minutes. Those minutes reflect Mr. Davies saying that the first expenditure priority is to continue to pay for more than 19,000 additional students that have enrolled in Kentucky's colleges and universities since 1998. The minutes also reflect remarks from President Votruba as convener of the presidents that all institutional presidents understand the state's fiscal situation and that while the current state budget situation will make it difficult, if not impossible, to fully fund the council recommendations, the presidents believe the council's budget priorities are in the correct order. At the top of the list is the need to fund base budgets including benchmark funding. Mr. Votruba stated that that was correct.

Mr. Moberly pointed this out because Mr. Votruba alluded to the dispute that developed over whether or not the Governor's budget recommendation was to fund benchmark funding or to fund enrollment and retention growth. It appears that at the November 15 SCOPE meeting that both Mr. Davies and Mr. Votruba, as convener of the presidents, said that the council's top priority was to pay for students already enrolled through the benchmark funding process.

Mr. Moberly asked Mr. Votruba if the Governor's recommendation to put what available funds he had in benchmark funding was consistent with HB 1 and with the council recommendations. Mr. Votruba replied he believed it was consistent with HB 1.

Mr. Moberly went on to ask Mr. Votruba whether he thought the Governor's funding recommendations, subsequently and independently enacted by both House & Senate budgets without change, was a retreat from reform in any sense.

Mr. Votruba replied that it was not a retreat and indicated his view that it is an issue around which reasonable people can have conversations. Benchmark funding has been an important part of the council's agenda all along.

Mr. Moberly pointed out that at the November meeting of SCOPE, both Mr. Davies and Mr. Votruba, as the convener of the presidents, said that the top priority was to pay for those students already enrolled and that this would be accomplished through benchmark funding. The

benchmark funding approach subsequently developed by Mr. Davies and the council was the budget recommendation. But later, when Mr. Davies' contract was not renewed, he made a big issue about how this was a retreat from reform. Mr. Moberly indicated his view that this could be nothing further from the truth and nobody can make an argument that that is the case. He thought that that ought to be on the record and that it ought to be said.

Mr. Moberly stated that he read Mr. Davies' treatise and that Mr. Davies made that and many other inaccurate statements and arguments and half-truths. Mr. Moberly wanted to point that one out because it is evident from the minutes and from Mr. Votruba's statements what actually happened.

The next SCOPE meeting was announced for 11:00 a.m., November 18, Room 149 Capitol Annex.

The meeting adjourned.